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Report Highlights:

Nigeria is experiencing shortages and spiraling prices of basic food items, especially grains. This is attributed to increased domestic demand, famine in Niger and the GON's restrictive import policies. In contrast, wheat imports have increased because the prices of wheat-based products have been relatively stable.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....3

WHEAT5

 PSD TABLE: WHEAT5

 PRODUCTION.....5

 CONSUMPTION.....5

 TRADE.....6

 STOCKS.....6

 POLICY.....6

CORN.....7

 PSD TABLE: CORN7

 PRODUCTION.....7

 CONSUMPTION.....7

 TRADE.....8

SORGHUM9

 PSD TABLE: SORGHUM9

 PRODUCTION.....9

 CONSUMPTION.....9

 TRADE.....9

RICE.....10

 PSD TABLE: RICE.....10

 PRODUCTION.....10

 TRADE.....10

Executive Summary

Field visits by the Agricultural Affairs Office to Nigeria's grains belt revealed that prices of basic food items, especially the grains have increased considerably over the past year. Corn, sorghum, millet and cowpea prices have more than doubled during the past year. Local sources attribute the spiral to a combination of factors, namely: (a) low productivity and unattractive prices from earlier years, (b) the GON's overly restrictive trade policies and (c) famine in Niger Republic.

Price Table

COMMODITY (MT)	PRICE 2004	PRICE 2005	PERCENTAGE CHANGE
MAIZE	30,000	70,000	130
SORGHUM	30,000	65,000	116
MILLET	20,000	80,000	300
RICE	90,000	120,000	33
COWPEA	36,000	78,000	120

Growth in domestic output of grains is not keeping pace with demand. Official estimates indicate that Nigeria's grain production in 2004 increased five percent over 2003. This is probably inflated; even at that, it just keeps pace with population growth. Nigeria's agriculture is primarily subsistence, with low productivity and high post-harvest losses. Fertilizer availability is half the level of 10 years ago. Less than 10 percent of the seeds planted by farmers are improved varieties. As a result, the increase in crop production has been achieved largely by tilling more land. The GON's 25 percent subsidy on fertilizers has created dislocation in the market, creating scarcity in some locals and has resulted in higher prices to growers. Utilization of fertilizer is limited by its high cost, often resulting in low crop yields, especially for fertilizer-dependent crops such as corn and rice.

Imports of grains, such as corn, sorghum, millet and cassava products are prohibited by the GON. Official sources indicate that the ban on imports is to protect local production.

Prior to the recent famine in Niger Republic, Nigeria exported corn, sorghum, millet and cassava products to that country in what is normally unrecorded cross border trade. Because of the famine, the volume of such exports has increased considerably in 2005. Nigeria recently provided about 10,000 tons of grains in relief assistance to Niger and to Sudan (Darfur). A visit to the Dawonu international grains market in Kano also revealed international donor agencies buying grain in this market for Niger Republic. Thus, the increased demand for grains in neighboring countries has contributed to high local prices.

In contrast, economic activity in the wheat milling industry is upbeat and competition is keen. Shortages and high costs of food staples, such as yams, garri and the grains is encouraging increased bread consumption. Bread is affordable and convenient. The price of wheat flour has been relatively stable over the last year due to increasing imports and competition among millers. Some wheat mills visited in Kano reported they are unable to meet demand. A significant quantity of wheat flour produced in Nigeria is reportedly exported (smuggled) to Niger, Chad, Mali, Burkina Faso and Cameroon. Nigeria's wheat imports in MY2005/06 are projected to increase by about 40 percent over last year. The increase in imports is aided by the lower tariff of five percent on wheat.

The 2005/06-harvest season has commenced and it is expected to last until December 2005. Field sources indicate that Nigeria's food supply is expected to improve because of favorable weather conditions. Rainfall has been ample and its distribution was even.

Record high prices of the grains during 2004/05, also spurred farmers to increase area planted. Agattache observed large acres of land in Kano and Katsina States planted with corn, sorghum and millet. There were localized reports of pest attacks and flooding of farmlands but not significant enough to affect overall output. On the whole, Nigeria's tight food supply situation is expected to ease considerably as the harvest season progresses. However, prices may not return to previous levels because of the recent increase in fuel and energy costs.

Exchange Rate: US\$1 = 130.5 Naira

WHEAT

PSD Table: Wheat

Nigeria Wheat							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate New]	USDA Official [Old]	Post Estimate New]	USDA Official [Old]	Post Estimate New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	35	35	35	35	35	35	(1000 HA)
Beginning Stocks	200	200	200	200	200	200	(1000 MT)
Production	55	55	60	60	55	65	(1000 MT)
TOTAL Mkt. Yr. Imports	2383	2383	3000	3000	3400	4000	(1000 MT)
Jul-Jun Imports	2383	2383	3000	3000	3400	4000	(1000 MT)
Jul-Jun Import U.S.	2164	2164	2634	2634	0	3800	(1000 MT)
TOTAL SUPPLY	2638	2638	3260	3260	3655	4265	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	0	50	0	100	0	120	(1000 MT)
TOTAL Dom. Consumption	2438	2438	3060	3060	3455	4065	(1000 MT)
Ending Stocks	200	200	200	200	200	200	(1000 MT)
TOTAL DISTRIBUTION	2638	2638	3260	3260	3655	4265	(1000 MT)

Production

Production estimates are unchanged from previous submission.

Consumption

Nigeria's wheat imports in the first three months of MY2005 increased by more than 40 percent compared to the same period last year. A new 500-ton per day mill was commissioned in Lagos recently and another is expected to commence operation before the end of 2005. Existing mills are being refurbished and milling capacities are being increased. Also, Bakery operations in the country are being modernized and expanded to satisfy growing demand especially for bread. Bread is a staple item in Nigeria and is eaten throughout the day by the general public.

The increase in wheat consumption is attributed to the following:

- Relative stability in the price of wheat flour compared to other local food staples. Prices of basic food items such as corn, sorghum, rice, cowpea and cassava products have more than doubled over the past year. During this period, the price of bread only increased by about 20 percent.
- The GON's import ban on pasta and biscuits has resulted in increased investment in local production.
- Wheat for feed use has increased considerably due to the prevailing scarcity and high cost of corn, which is encouraging poultry feed producers to switch to soft wheat.
- Relatively low import tariff of five percent on wheat, high crude oil prices and modest economic growth.

Trade

Post has revised upwards the forecast of Nigeria's wheat imports in MY2005/06 to 4.0 million tons, up from the revised estimate of 3 million tons. The U.S. currently has a dominant share (about 90 percent) of Nigeria's wheat imports. Nigeria is predominantly a HRW wheat market but growth in soft and durum wheat imports is evident. Canada and Argentina are the principal competitors in this market. Wheat from the Baltic region is also entering the market, primarily for the feed industry. The bulk of U.S. wheat exports to Nigeria come through the Gulf ports, especially Houston. Post has not received any reports of significant disruption in U.S. wheat exports to Nigeria as a result of the recent natural disasters in the Gulf coast.

Stocks

Stock estimates in this report are residuals of production, imports and consumption. Industry sources indicate that stock capacity can sustain milling operations for about a month.

Policy

In January 2005, the GON directed that all flourmills must blend 10 percent cassava into the flour. Implementation is delayed because there are no commercial mills to process industry grade cassava in the country. Wheat millers have expressed concern that including cassava in flour would induce undesirable changes in color and smell. It would also reduce the shelf life of bread from five to two days. Cassava flour is currently being sold at \$500 per ton.

CORN

PSD Table: Corn

Nigeria Corn							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	3700	3700	3700	3700	3800	4000	(1000 HA)
Beginning Stocks	119	119	119	119	519	0	(1000 MT)
Production	5500	5500	6500	6500	5500	7500	(1000 MT)
TOTAL Mkt. Yr. Imports	0	50	0	50	0	0	(1000 MT)
Oct-Sep Imports	0	50	0	50	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	5619	5669	6619	6669	6019	7500	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	200	200	50	100	(1000 MT)
Oct-Sep Exports	0	0	200	200	50	100	(1000 MT)
Feed Dom. Consumption	350	400	650	650	500	800	(1000 MT)
TOTAL Dom. Consumption	5500	5550	5900	6469	5800	7300	(1000 MT)
Ending Stocks	119	119	519	0	169	100	(1000 MT)
TOTAL DISTRIBUTION	5619	5669	6619	6669	6019	7500	(1000 MT)

Production

Forecast of Nigeria's corn production is retained at 7.5 million tons, up from 6.5 million tons in 2004/05. Field visits revealed that the attractive prices of corn at the onset of the planting season encouraged farmers to switch from cotton to corn. Acreage has been revised upwards accordingly. Although the weather situation has been favorable, the scarcity and high cost of organic fertilizers has reduced yield levels. There were also isolated cases of quela bird attacks and flooding in some states.

Consumption

Nigeria is currently experiencing acute corn shortages and the price of corn has reached a record level of 70,000 Naira per ton (about \$500). Local sources attribute the price spiral to a combination of factors, namely: increased domestic demand, famine in Niger Republic and the GON's import ban on the product. The bulk of Nigeria's corn crop is directed for human consumption. Brewery demand for corn grits is growing in step with growth in the sector. Feed utilization of corn is also increasing, thanks to the rapid growth in the poultry sector witnessed in recent years. The rapid growth in demand outstrips domestic output and imports are banned.

In an attempt to curtail spiraling prices, the GON released 65,000 tons of grains (mainly corn) from its buffer stock in June 2005. This was not significant to drive down the price of corn. Feed manufacturers are having problems securing corn supplies even at the prohibitive price. Nigerian poultry producers have expressed fears that the growth witnessed in their sector in recent years may be reversed due to the high cost of this vital input. Stocks have been completely depleted.

Trade

Overall, informal corn exports in MY2004/05 reportedly increased to 200,000 MT, up from a few hundred tons last year. The increase is attributed to the demand-pull induced by the famine in neighboring countries. Corn exports are forecast to fall to about 100,000 tons because the weather situation in these countries is favorable this year.

The GON implemented the import ban on corn on April 15, 2005, at the height of the corn scarcity. It is surprising that the GON's would take such a measure at a time of acute shortage. Previously, the GON probably felt no need to implement a ban since corn is rarely imported, due to an understanding with the poultry industry to not bring in the commodity in order to protect northern corn growers. Feed manufacturers reportedly imported unofficially 50,000 tons in cross-border trade with Benin Republic.

SORGHUM

PSD Table: Sorghum

Nigeria Sorghum							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	6800	6800	7200	7200	7300	7400	(1000 HA)
Beginning Stocks	200	200	200	200	200	200	(1000 MT)
Production	9000	9000	10000	10000	9000	10800	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	9200	9200	10200	10200	9200	11000	(1000 MT)
TOTAL Mkt. Yr. Exports	50	50	50	50	50	60	(1000 MT)
Oct-Sep Exports	50	50	50	50	50	60	(1000 MT)
Feed Dom. Consumption	150	150	150	150	150	160	(1000 MT)
TOTAL Dom. Consumption	8950	8950	9950	9950	8950	10740	(1000 MT)
Ending Stocks	200	200	200	200	200	200	(1000 MT)
TOTAL DISTRIBUTION	9200	9200	10200	10200	9200	11000	(1000 MT)

Production

Production estimates are unchanged from previous submission. Post has, however, increased forecast of acreage to 7.4 million hectares to reflect the fact that farmers increased planted area in response to attractive prices at beginning of the season. Yield is low because of inadequate supply of improved seeds and fertilizer.

Consumption

Sorghum enjoys a large and growing domestic demand because of its extensive use as food in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing homemade local beer. Industrial demand for sorghum by beer and food manufacturers is increasing, in step with growth in these sectors. Sorghum use in animal feed in 2005/06 is forecast to increase to 160,000 tons, due largely to the prevailing scarcity of corn.

Trade

Nigeria is nearly self-sufficient in sorghum. There are no official statistics on exports, but drought conditions in neighboring countries encouraged undocumented, cross-border exports of about 50,000 tons into Niger and Chad in MY2004/05. Exports are forecast to increase slightly to 60,000 tons in 2005/06.

Rice

PSD Table: Rice

Nigeria Rice, Milled							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate New]	USDA Official [Old]	Post Estimate New]	USDA Official [Old]	Post Estimate New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Harvested	1800	1800	1850	1850	2000	2000	(1000 HA)
Beginning Stocks	1353	1353	1153	1153	572	572	(1000 MT)
Milled Production	2200	2200	2300	2300	2600	2700	(1000 MT)
Rough Production	3667	3667	3833	3833	4333	4500	(1000 MT)
MILLING RATE (.9999)	6000	6000	6000	6000	6000	6000	(1000 MT)
TOTAL Imports	1600	1600	1369	1369	1500	1500	(1000 MT)
Jan-Dec Imports	1369	1350	1500	1500	1500	1500	(1000 MT)
Jan-Dec Import U.S.	5	0	0	15	0	10	(1000 MT)
TOTAL SUPPLY	5153	5153	4822	4822	4672	4772	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	4000	4000	4250	4250	4350	4350	(1000 MT)
Ending Stocks	1153	1153	572	572	322	422	(1000 MT)
TOTAL DISTRIBUTION	5153	5153	4822	4822	4672	4772	(1000 MT)

Production

Nigeria doesn't produce sufficient quantities of rice. A third of Nigeria's 4.3 millions tons demand for rice is imported. The GON has initiated a special rice project to promote self-sufficiency in rice production. Under the project, rice farmers are supplied with improved seeds and agro chemicals at subsidized rates.

Trade

The local press continues to report that the GON would ban rice imports as from January 2006. Post believes that a complete ban is unlikely as it could result in food crises because of the huge domestic supply shortfall. It is more likely that the GON will issue more licenses to investors in rice mills to import brown or paddy rice. (Note: On September 28, 2005, the GON announced that the ban on rice imports earlier scheduled to commence in January 2006, has been postponed till January 2007).

The GON has approved two firms to import brown rice for milling in Nigeria. The companies have commenced milling operations and each has capacity to produce 120,000 tons of parboiled rice per year. Several other applications are pending and may be approved soon. Under the terms of the licenses, the companies are allowed to import 100,000 tons of brown rice each as a "raw material" over a period of one year. The licenses are renewable. Trade sources forecast imports of brown rice in MY2005 at 160,000 tons. Approved importers of brown rice are assessed a lower duty of 50 percent, compared to 100 percent for wholly milled rice. Government sources indicate that the original intent was to allow imports of paddy rice at 20 percent duty. The GON opted for brown rice imports because of concerns

about environmental hazards of the husks. The GON favors local value addition to imports as part of the overall objective of increasing domestic milling capacities in anticipation of an increase in local rice production. At present, all imports of brown rice are from Southeast Asia but importers have indicated interest in looking to the United States to secure their import supplies. U.S. suppliers are encouraged to collaborate with importers to take advantage of this emerging market opportunity.

In the mean time, undocumented rice imports have increased markedly following the increase of the Clean Report of Inspection (CRI) by the GON. In a circular dated 31 March 2005, the GON approved the issuance of CRI for rice imports from Thailand and India at \$365 and \$335, respectively. These are the minimum CIF value for purposes of import duty valuation. The CRI for U.S. rice is \$365, same as that of Thailand. Over the past three months, the retail price of rice increased by about 25 percent due largely to the increase in the CRI and rising international prices. Imports to Benin Republic attract only 35 percent duty, representing about \$200 per ton price advantage over imports through Nigerian ports. Nigerian importers simply land their imports in Benin and then smuggle them into the country. Major rice importers have persistently asked the Nigeria Custom Service to curtail smuggling of rice.

Forecast of Nigeria's rice imports in MY2005 is unchanged at 1.5 MMT. According to the trade, legal rice imports will not exceed one million tons, while the remainder will enter Nigeria in undocumented cross border trade. Stocks are currently estimated 422,000 tons (about three months consumption).